

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3548-01
BILL NO.: HB 1462
SUBJECT: Economic Development; Taxation and Revenue - General.
TYPE: Original
DATE: March 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal changes the definition of a “distressed community” to include cities located outside of a metropolitan area with a medium household income of less than seventy percent of the median income of the state.

The DED assumes that there will be no impact because, while many tax credit programs use this definition, there are caps on the amount of credits that can be issued. This definition change may allow some additional non-metropolitan areas to qualify as a distressed community and could eliminate some from consideration. The DED assumes the addition of some entities and the disqualification of some would equal and minimal or no additional work would be created. Therefore, the DED does not anticipate to be fiscally impact from this proposal.

The **Office of Administration** states that this proposal would not fiscally impact their agency.

Officials from the **Department of Revenue** state they anticipate an increase in the distressed community tax credits, however, the increase in volume is unknown at this time. The Division of Taxation will need one Tax Processing Tech I for every 2,000 additional income tax credit claims received, and one Tax Processing Tech I for every 3,680 additional business tax credit claims received. No additional modifications to the individual and corporate income tax systems will be needed.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed to have no additional costs from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses in distressed communities would be expected as a result of this proposal.

DESCRIPTION

Current law allows municipalities not within a metropolitan statistical area, with a median household income of less than 70% of the median household income for the nonmetropolitan areas in the state to qualify as distressed communities. This proposed legislation requires that these municipalities have median household incomes of less than 70% of the median household income for all areas in the state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning
Department of Economic Development



Jeanne Jarrett, CPA
Director
March 24, 2000